

## **II. FEDERAL FISCAL YEAR (FFY) 2010 CDBG HOUSING AND NEIGHBORHOOD RENEWAL AND PUBLIC FACILITIES PROGRAM**

### **A. NATIONAL AND STATE OBJECTIVES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM**

#### **1. National Objectives**

Under the Federal Housing and Community Development Act, the primary objective of the CDBG Program is “the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.” All CDBG projects must be designed to principally benefit low and moderate income families.

Under the Act, CDBG funds are intended for the support of community development activities that are directed toward specific national objectives. **The national objectives for the CDBG program are included in Appendix B. Each CDBG applicant will be asked to cite a national objective for the CDBG program that is most appropriate and pertinent to the proposed project.**

#### **2. State Objectives**

HUD regulations (24 CFR Part 91) require the State to identify its community development objectives which must be developed in accordance with the primary objective of the CDBG Program and the other national objectives referred to above. **The State’s objectives for Montana’s CDBG Program are included in Appendix C. Each CDBG applicant will be asked to cite a state objective for the CDBG program that is most appropriate and pertinent to the proposed project.**

### **B. PROJECT CATEGORIES**

There are five major funding categories under Montana's CDBG Program:

- (1) Economic Development
  - (2) Housing and Neighborhood Renewal
  - (3) Planning Grants
  - (4) Public Facilities
  - (5) Montana Neighborhood Stabilization Program (NSP)
- See [http://comdev.mt.gov/CDD\\_CDBG\\_NSP.asp](http://comdev.mt.gov/CDD_CDBG_NSP.asp) for details about NSP

A CDBG Housing or Public Facilities project may consist of one or more activities designed to substantially resolve a community development need. The principal activities must clearly be designed to address needs appropriate to the category applied for and must represent at least two-thirds (66 percent) of the non-administrative project funds requested.

Other proposed activities must be clearly complementary to and in support of the principal activities and enhance the overall impact of the project in resolving the identified problem. For example, public facilities activities such as sidewalk and street improvements can be included in a housing and neighborhood renewal project which primarily addresses housing rehabilitation and demolition needs. This is because the sidewalk and street improvement activities support the overall neighborhood renewal strategy.

### **(1) CDBG Economic Development (CDBG-ED) Projects**

Typically in CDBG Economic Development projects, MDOC grants CDBG funds to a city or county, which then lends the funds to private businesses. In return, the businesses commit to creating a specific number of jobs, a majority of which will be made available to low and moderate income persons. The Business Resources category of Montana's Community Development Block Grant Economic Development (CDBG-ED) Program is designed to stimulate economic development activity by assisting Montana's private sector to create or retain jobs for low and moderate income (LMI) persons.

The program assists businesses by making fixed-rate financing available to them at reasonable interest rates and by providing public improvements in support of economic development activities. CDBG-ED provides flexibility in interest rates and loan terms to complement conventional business financing and other State and Federal business financing programs. CDBG-ED funding can provide payment deferments, lower payments in the first year, and interest-only payments. CDBG-ED funds are intended to be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate.

The requirements for **CDBG Economic Development projects** are discussed in a separate set of application guidelines available from the MDOC Business Resources Division, 301 South Park Avenue, P.O. Box 200501, Helena, MT 59620-0501, (406) 841-2744. These can be downloaded from the CDBG-ED website: [http://businessresources.mt.gov/BRD\\_CDBG.asp](http://businessresources.mt.gov/BRD_CDBG.asp)

### **(2) CDBG Housing and Neighborhood Renewal Projects**

**The CDBG Housing and Neighborhood Renewal category is intended to assist communities in a wide range of activities with the goal of providing decent, safe and sanitary housing for their residents at an affordable price and to combat blighting influences in the community.** A variety of activities can be combined in one single project as part of implementation of a comprehensive housing strategy linked to the particular needs and circumstances of an individual community. All CDBG housing projects must be designed to principally benefit low and moderate income families.

CDBG housing and neighborhood renewal projects can:

- rehabilitate substandard housing (single-family homes or multifamily units),
- support construction of new permanent, long-term housing,
- weatherize and improve the energy efficiency of homes or apartments,
- finance or subsidize the construction of new permanent, residential units where a local nonprofit organization sponsors the project,
- provide first-time homebuyer assistance to eligible low and moderate income households,
- provide for the replacement of older, energy-inefficient mobile homes with newer energy-efficient mobile or modular homes, other types of manufactured housing, or conventionally-built housing units,
- include site improvements or provision of public facilities to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing,
- demolish vacant, deteriorated housing units with the intent of making the sites available for new construction,
- acquire sites for use or resale for new housing,

- convert existing nonresidential structures for residential use,
- clean up junk and debris, and
- improve or construct public facilities related to a housing project, such as sidewalks, streets, or neighborhood parks.

### **Performance-based Grants for Projects Involving Multiple Housing Activities**

***Important notice regarding CDBG funding for Housing and Neighborhood Renewal Projects that involve multiple activities (such as single-family housing rehabilitation and demolition activities or first-time homebuyer assistance projects);***

It has long been a policy of the U.S. Department of Housing and Urban Development (HUD) that CDBG funds be expended as expeditiously as possible after the date of announcement of grant award. In recent years, some recipients of CDBG funds that involve multiple housing activities (such as single-family housing rehabilitation or first-time homebuyer assistance projects), have experienced extensive delays either as a result of local housing market changes or other delays in meeting start-up requirements. For whatever reasons, these actions have resulted in substantial amounts of CDBG funds being awarded to local governments for housing activities, but remaining essentially unspent due to lack of project activity.

As in past years, CDBG housing funds will be awarded to applications in order of their ranking scores. However, beginning with FFY 2009 grant awards, applications proposing multiple housing activities (such as single-family housing rehabilitation and demolition activities or first-time homebuyer assistance) will not receive a grant award for a firm, fixed amount of funds. Instead, communities that have proposed multiple housing activities will be designated a maximum, tentative amount of funding to draw against and allowed to draw down these funds on a first-come, first-served basis as contracts for individual housing or demolition projects are signed, until the total amount of authorized funds are committed and expended. In some cases, this may mean that more than one grant recipient will be eligible to draw against a specified amount of CDBG housing funds.

The intent of this new CDBG housing grant award system and its first-come, first-served drawdowns procedure is to establish a system that will encourage the expenditure of these funds by rewarding communities that are successful in quickly committing and spending these CDBG set-aside funds for local projects.

For example, if a community is awarded a grant for single-family housing rehabilitation and demolition activities, the CDBG contract will be written to allow funds to be drawn up to a certain amount (for example, "up to \$450,000") and drawdown requests from the community will be honored on a first-come, first served basis until the total set-aside of performance-based grant funds are exhausted. More than one community may be authorized to draw funds from the total performance-based set-aside of funds.

### **(3) CDBG Planning Grants**

The CDBG program is able to play a unique role in assisting Montana communities because of its ability to offer planning grants to local governments. Planning Grants provide local governments with the opportunity to obtain specialized technical assistance, building the local capacity to respond to increasing community development challenges.

Planning Grants can be used for a variety of activities including long-term community planning activities such as preparing or updating a growth policy, preparing a neighborhood renewal plan, a housing study, a capital improvements plan, or similar planning processes designed to help a community address critical needs or the initial planning necessary to get a project underway.

The requirements for *CDBG Planning Grants from the CDBG Housing and Public Facilities Program* are discussed in a separate set of application guidelines available from the MDOC Community Development Division, 301 South Park Ave., P.O. Box 200523, Helena, MT; 59620-0523; (406) 841-2791. These application guidelines can also be downloaded from CDBG's website at: [http://comdev.mt.gov/CDD\\_CDBG\\_PGAG.asp](http://comdev.mt.gov/CDD_CDBG_PGAG.asp)

The *CDBG Economic Development (CDBG-ED) Program* also has Planning Grants. CDBG-ED Planning Grants applications will be accepted on a first-come, first-served basis until all CDBG-ED planning grant funds have been committed. The MDOC Business Resource Division's website has CDBG-ED Planning Grants application materials on-line at: [http://businessresources.mt.gov/BRD\\_CDBG.asp](http://businessresources.mt.gov/BRD_CDBG.asp)

#### **(4) CDBG Public Facilities Projects**

In Public Facilities projects, CDBG funds are most often used in combination with other federal, state, or local funds to make basic community infrastructure improvements such as drinking water and wastewater facilities affordable to low and moderate income families. Public facility projects can also include facilities designed for use predominantly by persons of low and moderate income such as county hospitals or nursing homes, senior centers, Head Start centers, or mental health centers.

The requirements for CDBG Public Facilities Grants from the CDBG Housing and Public Facilities Program are discussed in a separate set of application guidelines available from the MDOC Community Development Division, 301 South Park Ave., P.O. Box 200523, Helena, MT 59620-0523, (406) 841-2791. These application guidelines can also be downloaded from CDBG's website at: [http://comdev.mt.gov/CDD\\_CDBG\\_RA.asp](http://comdev.mt.gov/CDD_CDBG_RA.asp)

#### **(5) Montana Neighborhood Stabilization Program (NSP)**

On July 30, 2008, President Bush signed into law the Federal Housing and Economic Recovery Act (HR 3221) which, among other activities, established the Neighborhood Stabilization Program (NSP).

**Montana received \$19.6 million to fund eligible activities permitted under the act. NSP funds can be used to:**

- create financing mechanisms to purchase and redevelop abandoned and foreclosed properties (through means such as soft-second loans, loan loss reserves, and shared-equity loans);
- purchase and rehabilitate abandoned and foreclosed homes to re-sell, rent or redevelop;
- establish land banks of foreclosed home properties;
- demolish blighted structures, if the activity will directly assist a household at 120 percent or less of the area median income; and
- redevelop demolished or vacant properties, if the activity will directly assist a household at 120 percent or less of the area median income.

**NSP funds can also be used for:**

- public services for counseling for those benefiting from NSP funds;
- direct homeownership assistance for households at 120 percent or less of the area median income;
- the construction and rehabilitation of commercial and industrial buildings, if directly linked to one of the activities described above;
- residential household relocation; and acquisition.

As of the end of October 2009, MDOC has approved seven NSP projects and has begun to obligate funds towards these activities. In the last two weeks of October, two additional projects were tentatively awarded \$12 million that will address HUD's top priority for funding foreclosed properties, while also ensuring that the funds will assist low income households within the federal mandated timeline. See [http://comdev.mt.gov/CDD\\_CDBG\\_NSP.asp](http://comdev.mt.gov/CDD_CDBG_NSP.asp) for more details concerning the Montana Neighborhood Stabilization Program.

**C. ELIGIBLE ACTIVITIES**

The activities that are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974. Usually, the question of the eligibility of an activity is clear-cut and can be resolved by contacting the MDOC CDBG staff. Some activities may involve special conditions imposed by federal law or HUD regulations.

In selecting activities for a CDBG application, communities should be aware that although an activity may be legally eligible under the federal statute and HUD regulations, it may not be competitive under the guidelines and ranking system established for the Montana CDBG Program. **Communities should compare any activity under consideration for a CDBG application with the ranking criteria for that category before a decision is made to prepare an application and discuss any questions they have about the project they are considering with CDBG staff.**

**D. APPLICATION DEADLINES FOR CDBG GRANTS DURING 2010**

The following schedule illustrates how the CDBG program will operate with public facilities and housing competitions taking place in the spring and fall in the calendar year before Montana's CDBG allocation is announced by HUD. Planning grants will continue to be awarded in the same year in which the CDBG funds are received.

**Housing and Neighborhood Renewal grant applications for FFY 2010 funds are due on Friday, January 15, 2010\*.**

- ***Planning Grant*** applications to the ***CDBG Housing and Public Facilities Program*** for FFY 2010 funds are due on **April 16, 2010\***

- ***CDBG Economic Development (CDBG-ED) Planning Grants*** from the MDOC Business Resource Division are on an open (continuous application) cycle. See [http://businessresources.mt.gov/BRD\\_CDBG.asp](http://businessresources.mt.gov/BRD_CDBG.asp) for more information.

- **Public Facilities** grant applications for FFY 2011 funds are due on **May 21, 2010\***.

**\*Applications must be delivered or postmarked on or before the deadline date.**

## **E. GRANT CEILINGS**

Applicants should apply only for the minimum funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within 36 months from the date of the announcement of grant award by MDOC. While the grant ceiling establishes the maximum amount which applicants may request, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

Grant ceilings are as follows:

<u>Type of Grant</u>	<u>Maximum Grant Ceilings</u>
Housing and Neighborhood Renewal	\$ 450,000
Planning	\$ 20,000
Public Facilities	\$ 450,000

## **F. DISTRIBUTION OF CDBG FUNDS FOR THE FEDERAL FISCAL YEAR (FFY) 2010 PROGRAM**

### **CDBG Economic Development Category**

One-third of the total amount available for new CDBG grants has been set aside to allow economic development funds to be available to applicants on a continuous basis. For the CDBG Public Facilities and Housing categories, in general, long-term needs can be identified and projects planned far in advance. In contrast, it is generally not possible to identify or plan for economic development opportunities ahead of time; however, when such an opportunity develops, it requires a timely response by the community and the State to facilitate and support the development proposal. The continuous open application cycle for CDBG Economic Development applications administered by MDOC's Business Resources Division is designed to meet the need for more prompt response to private sector economic development initiatives.

### **CDBG Housing and Neighborhood Renewal Projects and Public Facilities Projects**

For the CDBG Housing and Neighborhood Renewal and Public Facilities categories, local officials have preferred to maintain the present annual grant competition where applications are ranked against each other on the basis of specific criteria. This competitive process helps assure that the limited CDBG funds go to the communities with the most serious needs.

For Housing and Neighborhood Renewal or Public Facility projects, local officials have strongly supported continuing the current application process that includes an evaluation of the relative need, the thoroughness of local planning efforts, degree of citizen participation, soundness of project design, the applicant's financial need, and the degree of benefit to low and moderate income persons.

In addition, many small town and rural county officials believe that an annual competition gives them more time to prepare an application to compete with larger communities with professional staff. An annual competitive ranking process is also used to allocate funds for the Planning Grant category, given the high demand for these limited funds.

## **G. ALLOCATION OF CDBG FUNDS**

Montana's total allocation of CDBG funds for FFY 2009 was \$6,861,827, a 1.7% increase from the FFY 2008 level of \$6,744,834. CDBG Funding for FFY 2010 has not yet been established. The application guidelines for the FFY 2010 CDBG program assume a funding level equal to the 2009 program, until more definitive information regarding the status of the FFY 2010 CDBG budget is received.

### **State Program Administration**

Extensive federal regulations accompany the program. MDOC will use a portion of the State CDBG allocation for administration of the program, as established by a federal statutory formula. The funds will be used to supplement State resources to meet regulatory requirements and to support related technical assistance to applicants and grant recipients and project monitoring activities throughout the term of local projects.

### **Funding for Housing and Neighborhood Renewal Projects and Public Facilities Projects**

CDBG funds for FFY 2010 will be allocated in the manner described below.

#### **Distribution of FFY 2010 CDBG Funds**

*The following table summarizes the estimated distribution of CDBG funds for the FFY 2010 program, based on the funding level received for FFY 2009\*.*

<b><i>Estimated FFY 2010 State CDBG Allocation:</i></b>	<b><i>6,861,827</i></b>
<b><i>Less 3% for State Program Administration and Technical Assistance as Provided by Federal Law</i></b>	<b><i>305,855</i></b>
<b><i>Amount Available for Award to Local Governments</i></b>	<b><i>6,555,972</i></b>
<b><i>Less 1/3 Allocation for CDBG Economic Development Projects</i></b>	<b><i>2,185,324 **</i></b>
<b><i>Total Available for Housing and Neighborhood Renewal Projects and Public Facilities Projects</i></b>	<b><i>4,370,648</i></b>
<b><i>Less Planning Grants (Housing and Public Facilities Program)</i></b>	<b><i>240,000</i></b>
<b><i>Sub-Total</i></b>	<b><i>4,130,648</i></b>
<b><i>Allocation for Housing and Neighborhood Renewal Projects (20%)</i></b>	<b><i>826,130</i></b>
<b><i>Allocation for Public Facilities Projects (80%)</i></b>	<b><i>3,304,518</i></b>

\* For a discussion of latest funding developments, please refer to page *i* in the Introduction.

\*\* One-third of the total amount available for new grants would continue to be set aside to allow economic development funds to be available to applicants on a continuous basis.

The Department bases the funding allocation between Housing and Public Facilities upon the demand between the two categories for the previous two years. Using a two-year average adjusts for any variability in the demand for CDBG Public Facilities funding that may be associated with the biennial cycle of the State's legislatively approved infrastructure funding programs: the Department of Natural Resources and Conservation (DNRC) Renewable Resources Grant and Loan Program, and MDOC's Treasure State Endowment Program (TSEP).

In this way, the funding reserved for each category can respond to changing demand for CDBG Housing and Neighborhood Renewal grants and CDBG Public Facilities grants over time. Through this method, the amounts allocated between the two categories will change based upon actual past demand; however, the basic method of distribution remains unchanged. The chart below lists the number of Housing/Neighborhood Renewal and Public Facilities applications and the total dollars requested for the last two years.

<b>CDBG APPLICATIONS RECEIVED 2008-2009</b>				
	<b>HOUSING</b>		<b>PUBLIC FACILITIES</b>	
<b>FFY YEAR</b>	<b># OF APPS</b>	<b>TOTAL \$ REQUESTED</b>	<b># OF APPS</b>	<b>TOTAL \$ REQUESTED</b>
2008	5	2,188,749	17	6,688,940
2009	4	1,700,000	20	7,979,725
<b>Total:</b>	<b>9</b>	<b>3,888,749</b>	<b>37</b>	<b>14,668,665</b>
<b>% of Total Applications</b>	<b>20%</b>		<b>80%</b>	

As a result of the method of distribution described above, the allocations for the Housing and Neighborhood Renewal and Public Facilities categories for FFY 2010 funds will be established at 20% and 80%, respectively, of the total estimated available funding for these two categories or an estimated \$4,370,648. Previously for FFY 2009, the percentage for Housing was 23% and the percentage for Public Facilities was 77%.

### **Planning Grants**

For FFY 2010, the CDBG Housing and Public Facilities program will set aside \$240,000 for Planning Grants to local governments. The CDBG Planning Grant funds can be used to assist local governments in a wide variety of planning-related activities, including preparation of community growth policies, needs assessments, capital improvements plans, housing studies, and preliminary architectural or engineering plans related to construction of water and wastewater systems, and other public facilities. Beginning in calendar year 2009, the ceiling for the planning grants has been raised to \$20,000. Local governments must provide matching funds on a 50/50 or dollar for dollar basis.

The CDBG Economic Development Program also has planning grants; \$210,000 of CDBG-ED funds were set aside for this purpose in FFY 2009. For information call the CDBG Economic Development Program at (406) 841-2734 or see the CDBG-ED website at the MDOC Business Resource Division:

[http://businessresources.mt.gov/BRD\\_CDBG.asp](http://businessresources.mt.gov/BRD_CDBG.asp)



## H. REALLOCATION OF FUNDS

1. If an applicant that has been tentatively selected for a CDBG grant award is unable to secure a firm commitment of funds and comply with other requirements for project start-up and cannot demonstrate the existence of extraordinary or clearly extenuating circumstances that would justify an extension of time, the tentative CDBG award will be withdrawn. The funds would be reallocated to the next highest ranked applicant that is ready to proceed with its CDBG project. In any case where CDBG funds must be re-allocated, the applicant would be encouraged to re-apply for the next grant competition. (See Chapter VII, Section E., Commitment of Non-CDBG Resources.)
2. If excess funds above the last ranked grant request are available, they may be reallocated at the discretion of the MDOC Director, consistent with these guidelines, to best achieve the stated objectives of the Montana CDBG Program.
3. Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous Housing, Public Facilities, or Planning grant awards, may be reallocated to other CDBG-eligible projects at the discretion of the MDOC Director, to best achieve the stated objectives of the Montana CDBG Program.
4. The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD encourages the State to have all of its annual allocation, excluding the State's administration funds, obligated to units of general local governments within 15 months of the State signing its grant agreement with HUD. Therefore, if after 12 months from the date of signing the grant agreement, MDOC does not have at least 95% of its fiscal year allocation obligated and announced to local governments, the Department Director may, at his or her discretion, award uncommitted funds from any funding category to fund remaining eligible, unfunded applications to achieve this goal.